



RURAL SERVICES, GOVERNANCE, AND FINANCING

DUNNIGAN FIRE PROTECTION DISTRICT REQUESTS

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COUNTY SERVICE AREAS & DISTRICTS

In Yolo County, additional services in certain communities are provided by:

County Service Areas (CSAs)

- Provide public services (mainly water & wastewater) in specific locations
- Governed and administered by the County
- Funded by special assessments and taxes

Community Services Districts (CSDs)

- Operate in Esparto and Knights Landing
- Provide similar services as CSAs
- Governed by local community boards, independent from the County
- Can hire staff or consultants to manage operations



CHALLENGES OF CREATING A CSD IN DUNNIGAN

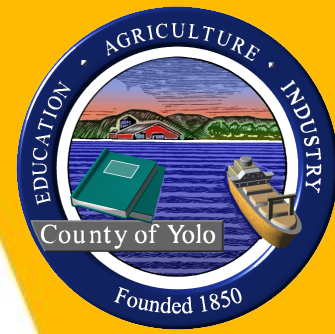
Initial Dunnigan FPD request to improve community services and enable local decisionmaking: create a CSD

Key Challenges

- Creating a CSD does not automatically generate new revenue
- Initial funding would rely on the Dunnigan FPD property tax increment and development impact fee revenue
- New funding typically requires a **special assessment** or **special tax measure**

New Funding Hurdles

- Prior attempt to pass a special assessment failed
- Economically disadvantaged communities face difficulties in approving new assessments and taxes (noted in CAO fire sustainability studies)



SALES TAX SHARING CONCEPTS

One approach to providing revenue for community needs:

Dunnigan Truck & Travel Center Proposal

- Fire Chief proposed County share sales tax revenue from the upcoming project (breaking ground in 2025)
- Suggested a binding agreement similar to property tax-sharing agreements used in city annexations.

Two Conceptual Approaches to Sales Tax Sharing

1. **Perpetual (Ongoing) Support** – Continuous funding for district operations
2. **Limited-Term Agreements** – Temporary funding tied to specific objectives

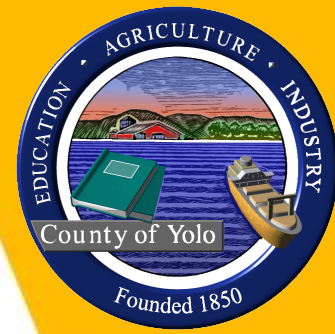


LEGAL AND POLICY CONSTRAINTS

Perpetual sales tax sharing is not legally possible

Legal Barriers to Sales Tax Sharing

- **State Law Limits Agreements**
 - Only expressly allows sales tax sharing between cities and counties
 - No legal provision for county-to-special district tax-sharing agreements
- **Board Authority & Fiscal Constraints**
 - Perpetual agreements could improperly restrict future Boards' fiscal discretion
 - "Contracting away" financial authority violates established legal principles



ALTERNATIVE APPROACH TO SALES TAX SUPPORT

Limited-Term Agreements as a Solution

- The County **can** enter into **specific, time-limited agreements** with fire protection districts for specific purposes, including:
 - Enhanced fire services
 - Hiring staff
 - Equipment purchases
 - Other defined objectives

Existing Precedent

- Since **2023**, the Board of Supervisors has allocated **up to \$1.5M** annually in general fund support for local fire districts
- Implemented through **district-specific agreements** with clear tasks or goals
- This approach could be extended to **new sales tax revenue** in areas affected by development

Will return to this topic at the end of the presentation...



ALTERNATIVE 1: DEVELOPMENT AGREEMENTS

Instead of sharing County revenue, negotiate for community needs in a development agreement:

What Are Development Agreements?

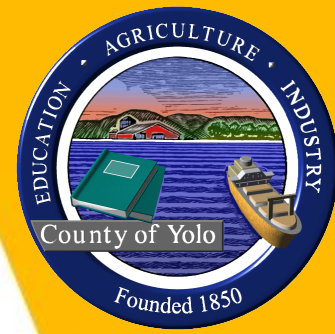
- Provide **additional benefits** from new development projects in exchange for **vested rights** that freeze many regulations at the time of approval
- Cannot be legally required but are often negotiated to **secure project approval**

Challenges & Limitations

- Usually **one-time** funding
- **Smaller projects = modest agreements** with limited benefits

Strategic Use

- Should be **leveraged whenever possible** to address gaps in **fire protection, local services, and infrastructure**



ALTERNATIVE 2: COMMUNITY FACILITIES DISTRICTS (CFDS)

Create an ongoing revenue stream for community facilities and services

What is a CFD?

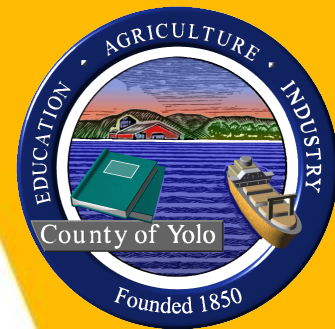
- **Not** a public agency—a **financial tool** to fund public facilities & services
- Used in **developing (and sometimes redeveloping)** areas
- Can be created by **counties, special districts (CSDs, CSAs, fire districts), etc.**

How a CFD is Created & Funded

1. **Two-step resolution process**—No LAFCO action required
2. **Parcels annexed** into the CFD
3. **Special taxes approved** via landowner vote (often just the developer)
4. **Taxes levied annually** and passed on to future businesses & residents

Key Benefits

- **Flexible tax rates** determined by a financial consultant
- **Ongoing revenue stream** (unlike one-time Development Agreements)
- The **creating entity governs the CFD**, controlling tax revenue use



ADVANTAGES OF A CFD AND MELLO-ROOS TAXES

Key Benefits Compared to Other Funding Options

- ✓ **Greater Financial Flexibility**
 - Supports both **facilities & services**—more versatile than development impact fees
- ✓ **No Revenue Loss to County**
 - Mello-Roos taxes **expand the revenue pool** rather than diverting existing funds
- ✓ **Shared Cost Burden**
 - Unlike **one-time fees or agreements**, costs are **spread across future property owners**, not just the developer
- ✓ **Predictable, Ongoing Funding**
 - Ensures **structured & sustainable** revenue instead of one-time, unpredictable contributions
- ✓ **Easier Approval Process**
 - Generally **simpler to pass** than a special assessment or community-wide tax, as it applies **only to new development** annexing into the CFD



TOPICS FOR BOARD DIRECTION

1. Dunnigan FPD Grant Funding

- Should Dunnigan FPD be allowed to apply for another year of County grant funds (even with no further **Proposition 218 proceeding** planned)?
- Alternatives for staff to bring back for consideration?

2. Sales Tax Revenue Sharing Policy

- Should staff develop a policy for **sharing new sales tax revenue** with special districts (annual or limited term only)?

3. Exploring New Revenue Options

- Should staff further evaluate **CSDs & Mello-Roos taxes** as funding tools for rural community **services & infrastructure**?